

CITY OF GRANDVIEW, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

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Officials

Name	Title	Term Expires
Officials		
Steven Schwandke	Mayor	December, 2017
Douglas Wolf	Council Member	December, 2019
Dena Rinnert	Council Member	December, 2019
Casey Kaska	Council Member	December, 2019
John Montandon	Council Member	December, 2017
Dan Brockert	Council Member	December, 2017
Lisa Wymer	City Clerk/Treasurer	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Grandview, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Grandview for the period July 1, 2015 through June 30, 2016. The City of Grandview's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Grandview, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Grandview, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Grandview and other parties to whom the City of Grandview may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Traer, Iowa
August 24, 2016

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Debt - recordkeeping, compliance and debt payment processing.
- (7) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (8) Payroll - recordkeeping, preparing and distributing.
- (9) Computer system - performing all general accounting functions and controlling all data input and output.
- (10) Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Petty Cash** - The City's petty cash funds were not included in the City's accounting records and resulting fund balances.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the Clerk's accounting system.

- (C) **Monthly Clerk's Report** - The Monthly Clerk's Report presented to City Council for approval does not contain fund balance transfers. In addition, there were several amounts reported which when added together totaled the General Fund balance. However, the General Fund balance was not totaled on the Monthly Clerk's Report.

Recommendation - Fund balance transfers should be included in the monthly reports presented to the City Council for approval. In addition, the General Fund balance in total should be included in this monthly report presented to the City Council for approval.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (D) **Bank Reconciliations** - Although monthly bank reconciliations were prepared for individual accounts, they were not reviewed by an independent person.

Recommendation - To improve financial accountability and control, monthly bank reconciliations should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

- (E) **Official Depositories** - A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

- (F) **Investments** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (G) **Accounting Policies and Procedures Manual** - The City does not have an accounting policies and procedures manual.

Recommendation - An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (H) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within 15 days of the meeting. Three of four monthly minutes reviewed were not published within 15 days.

Recommendation - The City should comply with the Code of Iowa and publish City Council minutes within 15 days.

- (I) **Chart of Accounts** - The City has not fully implemented the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the CFC on September 25, 2002.

Recommendation - To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (J) **Section 148** - The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code for debt obligations.

Recommendation - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.

- (K) **Transfers** - The City Council approved a transfer of \$16,000 from the Local Option Sales Tax Fund to the Water Fund. However, the transfer was not recorded in the City's accounting system.

Recommendation - The City should establish procedures to ensure all transfers between funds are recorded to the City's accounting system.

- (L) **Financial Condition** - As of June 30, 2016, the City had a deficit balance of \$240,105 in the Water Fund and a deficit balance of \$927 in the Debt Service Fund.

Recommendation - The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

- (M) **Disbursements** - We reviewed 30 disbursements and the following was identified: Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for 1 of 30 disbursements tested, totaling \$1,421.56, could not be located.

Recommendation - All disbursements should be supported by invoices or other supporting documentation.

- (N) **Questionable Disbursement** - During the year, \$100 was disbursed as a donation to a local after-prom committee. We believe this disbursement may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the disbursement appears to benefit a limited group of individuals.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and in improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

(O) **Payroll** - The following were identified:

- (1) Timesheets were maintained for hourly employees. However, there was no indication that the time worked had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- (2) The City does not maintain hours works per pay period in the payroll journal for one of their two hourly employees. Therefore, we were unable to agree the hours recorded on the employee's timesheet to hours recorded in the payroll journal.
- (3) The City approved an increase in two employees' hourly rates as an incremental dollar amount and not as a total hourly rate.

Recommendation - The City should establish procedures to ensure timesheets are reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. In addition, the City should document hours worked in the payroll journal for all employees. Salaries and wage rates of employees and any changes should be adequately documented in the City Council minutes as an hourly rate or annual salary.

(P) **Prenumbered Receipts** - Prenumbered receipts were not always issued for all collections and an initial listing of collections was not prepared.

Recommendation - Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

(Q) **State Receipts** - We reviewed receipts from the State of Iowa and noted a variance. There was one Local Option Sales Tax receipt, in the amount of \$1,923.82, which was received in fiscal year 2017 but recorded in fiscal year 2016.

Recommendation - The City should establish procedures to ensure receipts are recorded in the accounting period in which the money is received.

(R) **Receipts** - We performed a test of receipts from bank deposits to the books for one month and noted a variance of \$864.73.

Recommendation - The City should establish procedures to ensure that all deposits are recorded in the City's records and in the correct time period.

(S) **Local Option Sales Tax (LOST)** - The City did not have a copy of the most recent LOST ballot or revenue purpose statement. Therefore, we were unable to determine if LOST receipts were expended as required.

Recommendation - The City should retain a copy of the LOST ballot and revenue purpose statement.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (T) **Presigned Checks** - Checks written for utilities and payroll are improperly signed prior to invoice or payroll approval.

Recommendation - The City should ensure all invoices and payroll are approved prior to writing and signing checks.

- (U) **Finance Charges** - During the testing of City officials utility billings and payments, we noted two instances of City officials not paying the entire balance due and subsequently not being charged a finance charge.

Recommendation - City officials should make utility payments in a timely manner and in full or be assessed a finance charge.